



Defining Issues[®]

Financial reporting considerations for companies with operations in Argentina

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KPMG reports on Argentina’s classification as having a highly inflationary economy and explains what actions companies need to take.

Applicability

All companies with significant operations in Argentina or with operations that use the Argentine peso as their functional currency.

Key facts and impacts

As of May 31, 2018, the three indices used to measure inflation in Argentina have had a three-year cumulative inflation rate that exceeds 100 percent. Therefore, we would expect a company that reports on a calendar year-end basis to conclude that Argentina’s economy is highly

inflationary¹ no later than the quarter ended June 30, 2018. This would require that it applies the accounting guidance for highly inflationary economies during its fiscal quarter beginning July 1, 2018.

The International Monetary Fund (IMF) has concerns about the consistency of Argentina’s consumer price index data, so companies have used three indices to determine whether Argentina’s economy is highly inflationary. Those indices and their data are listed in the table.

	2017				2018		
	March	June	Sept.	Dec.	March	April	May
Multiple indices²	97.3	98.5	100.3	105.6	112.2	115.6	117.9
Same as multiple indices except San Luis Province index (IPC-SL) replaces IPC-BAA	95.5	96.6	98.3	103.7	110.2	113.5	115.8
National Wholesale Price Index (WPI)	75.9	72.8	74.4	77.0	95.0	97.0	108.7

¹ ASC 830, Foreign Currency Matters

² IPCNu 01/2014 – 10/2015; City of Buenos Aires only (IPC-BA), 11/2015 – 04/2016; New CPI-GBA 05/2016 – 05/2017; and National Index from 06/2017. All numbers are percentages, and are as of the last day of the month.

Other factors have contributed to increasing inflation including:

- the peso’s devaluation compared to the US dollar;
- significant increases in the official Argentine interest rate; and
- the \$50 billion standby agreement with the IMF.

Financial reporting considerations

Companies are responsible for monitoring inflation in countries in which they have operations, and should obtain inflation data as of each interim reporting period to monitor which

countries meet the definition of a highly inflationary economy.

The financial statements of a company in a highly inflationary economy must be remeasured as if the functional currency was the reporting currency.³ For example, a US company with an Argentine subsidiary would report its operations using the US dollar.

Impairment considerations

Companies should also monitor the introduction of currency exchange controls and other factors that may result in the recognition of impairment.

³ ASC 830-10-45-11

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